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Clerk of the Board  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**RE: Proposed Regulatory Amendments for the Mandatory Reporting of Greenhouse Gas Emissions**

Dear Board Members:

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) appreciate the opportunity to submit these written comments concerning the Proposed Modifications to the California Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR). We thank the Air Resource Board (ARB) Staff for their interest and consideration of stakeholder input and appreciate Staff's outreach efforts in developing these proposed regulatory amendments.

SoCalGas and SDG&E had previously provided written comments related to the use and the definition of the term "pipeline quality natural gas." While some of our concerns have been addressed, there are still some issues we feel require additional consideration by the ARB and these comments are further discussed below under General Comments and Suggested Language Modifications.

**General Comments:**

Under Section 95102, Definitions, the word "quality" in the definition of "Pipeline Quality Natural Gas" is used in the context of these regulations to define a default "range" for purposes of MRR calculations. The word "quality" can be eliminated to avoid confusion without changing the meaning or function.

The word "quality" implies a standard or grade that has an intrinsic value, characteristic or feature. In many cases the word "quality" is used to imply excellence or grade and convey a positive connotation, whereas anything that is not labeled with the word "quality" creates a negative connotation. The use of the word "quality" in this regulation may create a level of confusion among natural gas customers because it could be construed as implying that gas that meets California Public Utility Commission (CPUC) pipeline specifications is nevertheless not "pipeline quality."

The CPUC has established natural gas specifications that utilities must adhere to for purposes of receiving, transporting and delivering natural gas to their customers. Because the CPUC has overall jurisdiction over natural gas quality issues, ARB should choose a different term to define the "default range" for the calculations required under this regulation to avoid the implication that ARB is asserting authority over gas quality issues.

Given the fact that CPUC has exclusive jurisdiction over the quality and composition of natural gas delivered to customers in California, we are concerned that ARB requiring pipeline natural gas to contain at least ninety percent methane by volume conflicts with CPUC's gas specifications which require pipeline

natural gas to contain at least 80% methane by volume. Furthermore, ARB's definition would narrow the number of sources that can apply a default value to emissions calculations, while serving no relevant purpose in either the MRR or the Cap and Trade regulation. If anything, the data generated would not be accurate or

representative of all pipeline natural gas used in California. Moreover, this added restriction may cause natural gas users to conduct excessive analysis with insignificant results. SoCalGas and SDG&E request that ARB exclude the ninety percent methane requirement from this rule pending further study of the effects and burden of this “enhanced” reporting requirement.

## **Suggested Language Modifications**

### *Section 95102 Definitions.*

The portion of Section 95102 (288) “and which is at least ninety percent methane by volume,” should be deleted.

(251) “Natural gas” means a naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in geologic formations beneath the earth’s surface, of which its constituents include methane, heavier hydrocarbons and carbon dioxide. Natural gas may be ~~for field use quality (which varies widely)~~ or pipeline ~~quality~~ **natural gas**. For the purposes of this article, the definition of natural gas includes similarly constituted fuels such as field production gas, process gas, and fuel gas.

(288) “Pipeline ~~quality~~ natural gas” means, for the purpose of calculating emissions under this article, natural gas having a high heat value ~~as defined by the California Public Utilities Commission (CPUC). greater than 970 Btu/scf and equal to or less than 1,100 Btu/scf, and which is at least ninety percent methane by volume, and which is less than five percent carbon dioxide by volume.~~

(392) “Transmission pipeline” means a high pressure cross country pipeline transporting sellable ~~quality~~ natural gas from production or natural gas processing to natural gas distribution pressure let-down, metering, regulating stations where the natural gas is typically odorized before delivery to customers.

## **Specific Comments – June 26<sup>th</sup> 2013 Workshop Slides**

- Slide 6: Include records for orifice plate inspection

These records are checked during annual verification. The verifier develops a sampling plan to review a subset of records and they typically choose sources that have a large impact on emissions. Orifice plates rarely fail calibration; therefore, it is unclear what useful information is to be gained by this proposed requirement.

- Slide 8: Stationary combustion

Clarification is needed in the regulation to confirm that Local Distribution Companies (LDCs) will receive a written notification from ARB as to which LDC facilities will have the reporting obligation for an entity who “passed through” natural gas to a separate facility when the natural gas was originally delivered by the LDC.

- Slide 13: Hydrogen production

Please clarify where the carbon and hydrogen content for all feedstocks, and where the Higher Heating Value (HHV) of the gas shall be measured. We have public HHV data posted on our external website in accordance with CPUC requirements, and the value is used for billing purposes. While we make no claims

that the posted HHV in a single BTU district would be exactly the same as HHV directly measured at a covered facility within the BTU district, we believe that CARB should allow our respective posted BTU district HHV data to be used for the proposed alternative N<sub>2</sub>O reporting.

- Slide 17: Transportation Fuel Suppliers

At the June 26, 2013 workshop, staff stated that the reason marine fuel and aviation fuel are not reported as transportation fuels is because they are not primarily combusted within California. By contrast, the South Coast Air Quality Management District (SCAQMD) has identified ocean-going vessels and aircraft as among the top ten NO<sub>x</sub> categories in SCAQMD's projected 2023 emission inventory. We believe this proposed clarification and the reasoning for its proposal should be reevaluated in light of the fact that marine vessels and aircraft are major contributors to the state's criteria pollutant emission inventory.

- Slide 18: lower threshold for LDC reporting end-user volume from ~ 25,000 CO<sub>2</sub>e to ~ 10,000 CO<sub>2</sub>e and require ARB ID of end-user facility be reported, if available.

Lowering the threshold will not result in a more inclusive or accurate greenhouse gas (GHG) inventory. Data will be used as a double check to verify that facilities are reporting accurate emissions and to determine if facilities are subject to mandatory or abbreviated reporting. Reporting of the facilities' data is done manually, so it very time-consuming to enter facilities' data into the reporting tool, which includes facility name, address, meter number and amount of natural gas delivered. The lowered threshold will include many more facilities than those for which we currently report. If ARB decides to adopt the lower reporting threshold, then we strongly recommend, for the sake of time efficiency and workload effectiveness, that utilities LDCs be able to upload a spreadsheet with all of the required customer data instead of having to manually input the data. Please note, however, that individual customer information is considered private and must be handled as confidential information pursuant to Public Utilities Code Sections 581 and 583, General Order 66-c and Public Utilities Code section 8380. Any public disclosure by ARB of individual customer information would, therefore, be prohibited.

With regard to the proposal to require that the ARB ID for end-user facilities be reported, if available, we have the ARB ID # for the facilities with  $\geq 25,000$  CO<sub>2</sub>e emissions, but we do not have the ARB ID Nos. for the facilities with  $< 25,000$  CO<sub>2</sub>e. The only way to collect this data would be to call the end-user directly and ask them for that number, which is a time-consuming and duplicative task considering ARB already has the ARB ID #s for all reporting facilities.

- Slides 25: We understand that the purpose of ARB moving the verification date up was to allow parties to know their obligation before the price containment reserve auction because natural gas suppliers may end up with no opportunity to acquire allowances except through the secondary market. However, we strongly recommend that ARB not adopt this proposed new date for verification deadline, August 15 across the board. Moving up the deadline would be impracticable and unnecessary in most years. Currently we have a verification deadline that allows a very limited time to complete the verification, considering that site visits are often required for many facilities, Scheduling verification site visits is often difficult because there are a limited number of verifiers and these verifiers are usually very busy during the summer months. By moving the deadline up to August 15, the verifiers will have 15 fewer days to complete their verifications, considering many verifiers are already fully booked until August 31. Given these constraints, the proposed deadline could result in late submissions, and less accurate verifications without tangible benefits except after the end of the compliance period.

Therefore, alternatively to what is proposed by ARB, we would propose a move to August 24, one week earlier for the end of the compliance period only, with no move in the initial reporting date for the year

following the end of the compliance period. Simultaneously, we would recommend ARB provide the natural gas suppliers with their compliance obligation one week earlier and move the price containment reserve auction to one week later, again only for the year following the end of the compliance period. These changes would minimize the impact on the verification process, while still allowing natural gas suppliers access to the price containment reserve auction before final surrender of allowances for the compliance period.

- Slide 26: Moving the deadline closer to the EPA deadline as currently proposed by ARB will cause undue risks for reporting mistakes since both EPA and ARB already have tight deadlines, considering that previous year's data is often not finalized until the end of the first quarter. Additionally, customers often request data for their reporting purposes, which we provide as a courtesy to our customers. Considering the data is provided on a courtesy basis, we make no assurance or guarantee that we would be able to provide the data in a timely manner if the reporting deadline is shortened as currently proposed by ARB.

Again we appreciate the opportunity to comment and your careful consideration of the proposed regulatory amendments and look forward to working with ARB through the process.

Yours sincerely,

A handwritten signature in black ink that reads "Mitch Mitchell". The signature is written in a cursive, flowing style.